ANNUAL REPORT
1982-83

Alberta

LABOUR
Pension Benefits Branch

ALBERTA LABOUR

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Alberta

LABOUR

Office of
the Minister

403/427-3664

404 Legislature Building
Edmonton, Alberta, Canada
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To His Honour
Frank Lynch-Staunton
Lieutenant Governor of the Province of Alberta

Sir:

I have the honour to present to you the Annual Report of the Pension Benefits Branch of the Alberta Department of Labour for the fiscal year ended March 31, 1983. The report is submitted in accordance with section 6(2) of the Pension Benefits Act.

Respectfully submitted,

Leslie G. Young
Minister of Labour

Alberta

LABOUR

Labour Division
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403/427-8322

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Edmonton, Alberta, Canada
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The Honourable Leslie G. Young
Minister of Labour
Room 404, Legislature Building
Edmonton, Alberta

Dear Mr. Young:
I have the honour to submit to you the Annual Report of the Pension Benefits Branch for the fiscal year ended March 31, 1983. The report outlines the role and responsibilities of the Pension Benefits Branch and the activities undertaken during the time period under review.

Respectfully submitted,

A.H. Wakefield
Superintendent of Pensions

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Pension Benefits Branch

Roles and Responsibilities

The Pension Benefits Branch of the Alberta Department of Labour is responsible for the administration and enforcement of the Pension Benefits Act, which was enacted by the province on January 1, 1967. The principal objective of the act is to safeguard employees' rights to benefits promised under pension plans.

With the exception of certain exempted pension plans identified under section 21 of the Regulations, the act requires that every pension plan covering employees in Alberta be registered with the branch. Each of these plans must comply with the terms and conditions of the act throughout the plan's lifetime.

In accordance with the act, the branch has the power to reject pension plans that do not qualify for registration and can cancel Certificates of Registration previously issued. Branch staff monitor pension plans to ensure that they are administered correctly, that pension plan funds are sufficient to cover earned benefits, and that pension plan monies are prudently invested and managed.

A brief description of the main provisions of the Pension Benefits Act is contained in the appendix on page 17 of this report.

As authorized by section 5 of the act, the Alberta Government is a party to two agreements, one with the Government of Canada, the other with those provinces having legislation similar to the act. Both agreements provide for the reciprocal registration, audit, and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the authority that has jurisdiction over the greatest number of plan members. This means the branch carries out the duties and responsibilities of other authorities in cases where reciprocal agreements apply.

The branch is also the repository for Trust Agreements relative to employee benefit plans filed under section 151 of the Labour Relations Act. Filed Trust Agreements and amendments are reviewed for possible inadequacies or inconsistencies with regard to the intent and purpose of the agreement.

With respect to Trust Agreements that have been authorized or sanctioned by a collective agreement and filed with the Minister of Labour, section 151 of the Labour Relations Act provides that a trustee is not personally liable for his or her actions as a trustee unless it can be proven that the trustee was dishonest or did not act in accordance with the terms of the Trust Agreement.

Regulation of Pension Plans

Plans Examined and Approved

As outlined in Table 1 on page 14, the Pension Benefits Branch examined 255 new pension plans during the 1982-83 fiscal year. Of these, 251 plans received a Certificate of Registration. This compares to 135 plans that received a Certificate of Registration in the 1981-82 fiscal year and to 65 plans that received a Certificate of Registration in the 1980-81 fiscal year. The

large increase since 1980 has resulted from a decision by the Department of National Revenue to register pension plans that primarily provide benefits for significant shareholders of a company or their relatives. Of the 251 plans that received a Certificate of Registration, 176 plans provided benefits primarily for significant shareholders.

Under the reciprocal agreement provision of the Pension Benefits Act, eight plans were transferred to the jurisdiction of Alberta, and four were transferred from Alberta to other jurisdictions.

During the year under review, the branch approved 885 amendments to plans under its supervision. This figure shows an increase of 208 amendments over the number of amendments approved in the previous fiscal year. The increase was largely due to amendments necessitated by changes to legislation in Saskatchewan and Quebec.

The branch was responsible for the supervision of 1 301 pension plans as of March 31, 1983, which included 26 plans awaiting approval for registration.

Discontinued Plans

Table 2 on page 14 shows that during the year under review 104 plans, covering 1 804 Alberta employees and 235 employees in other jurisdictions, were discontinued. Of these plans, 27 were replaced by new plans, 23 were discontinued because of employer financial problems or because the company was dissolved, and 19 were discontinued because no plan members were left. Of the 2 039 employees affected by discontinued plans, 1 453 had their benefits transferred to continuing registered pension plans.

Contributions to Plans

As outlined in Table 3 on page 15, contributions to pension plans supervised by the branch during the 1982-83 fiscal year totalled more than $263 million. This figure represents an increase of approximately 27 per cent over total contributions in the previous fiscal year.

Total employee contributions increased to approximately $48.5 million from the previous fiscal year's total of $45.6 million.

Total employer contributions increased to $214.5 million, representing an increase of approximately 33 per cent over total employer contributions in the previous fiscal year. The increase in employer contributions was mainly due to increased contributions to pension plans that primarily provide benefits for significant shareholders of a company.

In a number of plans surplus monies resulted from favourable investment performance or favourable experience in assumed funding factors. Some plans used surpluses to wholly or partially offset required employer contributions. In certain plans with large surpluses, the branch gave approval for a refund to the employer of a portion of the surplus generated solely by employer contributions. Approval for such refunds was given to 10 plans. The total amount refunded approximated $11.1 million.

Jurisdiction of Plan Membership

Altogether, 220 789 employees were covered by the 1 301 pension plans supervised by the branch. This represents an increase of approximately 10 per cent over total employees covered in the previous fiscal year. Of the 220 789 employees, approximately 33 per cent were employed in other jurisdictions.

The number of Alberta employees covered by plans supervised by the branch increased approximately 12 per cent from the previous fiscal year to 147 202. The average number of members in each plan was approximately 170 employees.

The 251 new plans that received a Certificate of Registration in the period covered in this report included 3 573 employees, of which 3 024 were employed in Alberta. Of these new additions, the 176 plans that primarily provide benefits for significant shareholders covered 351 employees for an average of only two employees per plan. The average number of members in each new non-significant shareholder plan was approximately 43 employees.

Table 4 on page 15 provides further details on the number of employees covered by pension plans supervised by the branch.

Plan Vesting Provisions on Termination of Employment

As in previous years, the most frequently encountered vesting provision for termination of employment was 10 years of service or 10 years of plan membership. Of the pension plans supervised by the branch, approximately 33 per cent, covering about 55 per cent of all plan members, require 10 years of service or 10 years of plan membership for a plan member to qualify for vesting of benefits on termination of employment or termination of plan membership.

Approximately 45 per cent of all pension plans supervised by the branch require less than 10 years of service or less than 10 years of membership for vesting. These plans cover only about 23 per cent of all plan members. All pension plans must at least provide for vesting in accordance with the minimum requirements of the Pension Benefits Act for Alberta employees. For employees outside of Alberta, pension plans must at least provide for vesting in accordance with the requirements of legislation in the applicable jurisdictions. Table 5 on page 16 provides further details on the vesting provisions of pension plans supervised by the branch.

Type of Benefit Provided

Table 6 on page 16 shows information on the type of benefit provided by pension plans supervised by the branch. Particularly interesting is the fact that approximately 57 per cent of all plan members are covered by plans providing flat benefits, which are usually based on years of service. Flat benefit pension plans represent only about six per cent of all plans supervised by the branch. They contrast with money purchase pension plans which represent about 56 per cent of all plans but which cover only seven per cent of all plan members. Money purchase pension plans are most common to employers who have a small number of employees on staff. The plans are easier and less costly to administer than other types of plans.

Flat benefit pension plans are most commonly found in the construction, food and retail industries, and the vast majority are multi-employer negotiated pension plans administered by a board of trustees.

Of the 251 new plans that received a Certificate of Registration in the period covered by this report, 216, or 86 per cent, were money purchase pension plans.

Canadian Association of Pension Supervisory Authorities

Legislation similar to the Pension Benefits Act of Alberta has been enacted by the governments of Canada, Nova Scotia, Quebec, Ontario, Manitoba, and Saskatchewan. Authorized representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA). The association generally meets twice a year to review all aspects of pension plans and pension legislation. Its chief concern is to promote uniformity in both the legislation and interpretation of various acts with similar provisions.

A sub-committee of CAPSA, the Standing Committee of Superintendents, also meets on a regular basis. In addition to conducting studies on behalf of CAPSA, the sub-committee reviews new developments and problem areas, and identifies courses of action that can be taken. Its proceedings and recommendations are reported to CAPSA.

Regular meetings of CAPSA and the Standing Committee of Superintendents have resulted in a high degree of co-operation between various jurisdictions. The meetings contribute to the maintenance of uniform legislation and the promotion of similar administrative procedures in various jurisdictions. Persons involved in the pension benefits field have benefited from this co-operation.

By open invitation, representatives of other jurisdictions considering the enactment of pension legislation attend meetings of CAPSA from time to time. Jurisdictions that have availed themselves of this invitation include Newfoundland, New Brunswick, Prince Edward Island, and British Columbia. During the period covered by this report, CAPSA met three times.

In May of 1982, CAPSA made public its paper entitled "A Consensus for Pension Reform." The paper was the result of a series of discussions held in the 1981-82 fiscal year. Discussions were held with a view toward reaching a common position on possible changes to legislation that would help solve problems currently associated with pension plans. Members of CAPSA have attended a number of pension meetings and seminars across Canada to explain the details of this paper, to answer various questions and to address various concerns voiced by the public.

In December of 1982 CAPSA made public its proposed pension disclosure regulations and asked the public for its views. A number of public responses have been received in respect of both the paper and disclosure regulations. The responses will be discussed at future meetings.

Other Activities

As in previous years, the branch dealt with a large number of pension-related enquiries from the public. When requested to do so, the branch provided assistance to employees, employers, insurance and trust company officers, consultants and lawyers. Enquiries from employees usually dealt with non-receipt of payments under pension plans or with uncertainties involving benefit rights. Enquiries from people providing pension services, such as consultants, invariably related to the requirements of the Pension Benefits Act. People who provide pension services were particularly interested in knowing whether certain actions are legally possible within the parameters of the legislation.

In accordance with the reciprocal agreement provision of the Pension Benefits Act, the branch exerted considerable effort to

ensure that plans were amended to comply with legislative changes enacted by various authorities outside Alberta. During the period covered by this report, the most extensive legislative changes were those made to Quebec pension legislation. The changes were effective April 1, 1982.

The branch also provided assistance to a number of government departments on various matters relating to pensions, the retirement income system, and employee health and welfare benefit plans. In addition, branch staff served as speakers at public pension meetings and seminars and assisted pension plan administrators in tracing the whereabouts of terminated plan members entitled to benefits.

Amendments to the Act

No changes were made to the Pension Benefits Act or Regulations during the period covered by this report.

Pension Legislation Review

The development of special amendments to legislation was postponed pending further review and public reaction to several key reports and papers. Many employers are waiting until amendments to legislation are implemented before they make changes to their pension plans.

Operating Costs and Revenue

Operating costs of the branch for the 1982-83 fiscal year amounted to $297 684.

Revenue, derived from fees charged in respect of Applications for Registration and Annual Information Returns, amounted to $35 501.

Table 1
Pension Plans Approved, Cancelled, Transferred or Amended During the year ended March 31, 1983

	Total at March 31, 1981*	Total at March 31, 1982*	Change during year	Total at March 31, 1983
Plans Examined	2 737	2 873	255	3 128
Plans "Approved" (Registration)	2 650	2 785	251	3 036
Plans Transferred to Alberta Supervision	116	124	8	132
Plans Transferred from Alberta Supervision	132	143	4	147
Plans Cancelled	1 658	1 734	104	1 838
Amendments to "Approved" Plans	7 778	8 455	885	9 340
Annual Information Returns**	18 648	19 844	1 197	21 041
Appendix A to Form 2 (B)***	3 010	3 105	508	3 613

* These columns show totals since January 1, 1967.

** An Annual Information Return is submitted annually in respect of every pension plan and provides data regarding contributions to the plan, plan membership, terminations, retirements, and benefits provided.

*** This Appendix is submitted every third year and contains details on the operation of the pension plan fund.

Table 2
Reasons for Discontinuance of Pension Plans During the year ended March 31, 1983

Reason for Discontinuance	Total at March 31, 1981*	Total at March 31, 1982*	Change during year	Total at March 31, 1983
Non-approval by Department of National Revenue	287	287	0	287
Replaced by New Plans	375	393	27	420
Financial Problems	112	117	11	128
Company Dissolved	161	166	12	178
Not Required to Register and Duplicate Registration	23	25	0	25
No members Left in Plan	233	247	19	266
Non-Compliance	27	28	4	32
No Reason Given - Owners' Request	440	471	31**	502
TOTAL	1 658	1 734	104	1 838

* These columns show totals since January 1, 1967.

** The 31 plans shown in this category consisted of:

9 "Significant Shareholder" Plans	15 members
2 "Salaried and Executive" Plans	8 members
20 "All Employees" Plans	121 members
TOTAL	144 members

Of the 144 members covered:
16 transferred the value of their entitlement to Registered Retirement Savings Plans
69 received cash
59 received deferred life annuities

Table 3
Contributions to Pension Plans Supervised by the Pension Benefits Branch During the years ending March 31, 1982 and 1983

	1982	1983
Employee Required Contributions	$ 38 483 846	$ 42 567 504
Employee Voluntary Contributions	7 120 974	5 958 416
Total Employee Contributions	$ 45 604 820	$ 48 525 920
Employer Current Service Contributions	131 250 267	$177 767 190
Employer Past Service Contributions	26 770 982	35 228 410
Employer Special Payments	3 624 981	1 514 163
Total Employer Contributions	$161 646 230	$214 509 763
Total Contributions	$207 251 050	$263 035 683

Table 4
Jurisdiction of Plan Membership for Pension Plans Supervised by the Pension Benefits Branch At March 31, 1982 and 1983

	1982		1983	
	#	%	#	%
Alberta	131 789	65.8	147 202	66.7
Quebec	23 606	11.8	23 752	10.8
British Columbia	15 629	7.8	16 454	7.5
Ontario	11 316	5.7	13 298	6.1
Manitoba	9 202	4.6	10 201	4.6
Saskatchewan	4 925	2.5	6 003	2.7
Nova Scotia	2 546	1.3	2 535	1.1
Newfoundland	422	0.2	513	0.2
New Brunswick	283	0.1	264	0.1
Yukon and Northwest Territories	119	—	50	—
Prince Edward Island	25	—	26	—
Outside Canada	461	0.2	491	0.2
TOTAL	200 323	100.0	220 789	100.0

Table 5
Vesting on Termination of Employment or Plan Membership
At March 31, 1982 and 1983

Conditions to Qualify for Vesting*	1982				1983			
	Plans		Members		Plans		Members	
	#	%	#	%	#	%	#	%
Immediate vesting	221	19.2	3 001	1.5	380	29.2	3 886	1.8
5 years or less of service or membership	124	10.8	31 075	15.5	159	12.2	32 702	14.8
6 - 9 years of service or membership	47	4.0	7 270	3.6	54	4.1	14 920	6.7
10 years of service or membership	449	39.0	112 181	56.0	430	33.1	120 981	54.8
11 - 19 years of service or membership	137	11.9	18 257	9.1	118	9.1	16 942	7.7
20 years or more of service or membership	60	5.2	4 565	2.3	49	3.8	4 674	2.1
Service or membership and/or age	3	0.3	488	0.2	5	0.4	576	0.3
No vesting other than that required by legislation**	111	9.6	23 486	11.8	106	8.1	26 108	11.8
TOTAL	1 152	100.0	200 323	100.0	1301	100.0	220 789	100.0

* Plans are classified on the basis of the vesting conditions applicable to employees who leave before completion of the minimum vesting conditions prescribed by legislation. These minimum legislative vesting conditions apply to an employee who satisfies one of the following conditions:

(a) is employed in a jurisdiction that has pension legislation, and has completed 10 years of service or membership and is 45 years of age or older,

(b) is employed in Saskatchewan, has completed one year of service or membership, and age plus years of service or membership equals 45,

(c) is employed in Manitoba and has completed 10 years of service or membership.

** Plans that have no vesting other than the legislative requirements outlined in note (*) above.

TABLE 6
Plans and Members, by Type of Benefit
At March 31, 1982 and 1983

Type of Benefit	1982				1983			
	Plans		Members		Plans		Members	
	#	%	#	%	#	%	#	%
Unit Benefit								
Final Average Earnings	78	6.8	17 270	8.6	81	6.2	18 109	8.2
Average Best Earnings	183	15.9	26 498	13.2	184	14.1	35 312	16.0
Career Average Earnings	233	20.2	26 713	13.4	208	16.0	23 104	10.5
Total Unit Benefit	494	42.9	70 481	35.2	473	36.3	76 525	34.7
Money Purchase	553	48.0	13 645	6.8	723	55.6	15 448	7.0
Profit Sharing	16	1.4	846	0.4	18	1.4	931	0.4
Flat Benefit	72	6.2	112 291	56.1	74	5.7	124 755	56.5
Composite	17	1.5	3 060	1.5	13	1.0	3 130	1.4
TOTAL	1 152	100.0	200 323	100.0	1 301	100.0	220 789	100.0

Appendix

Main Provisions of the Pension Benefits Act, in General Terms

The Pension Benefits Act (Chapter P-3 Revised Statutes of Alberta 1980) was enacted January 1, 1967. In general terms, the main provisions of the act are as follows:

1) Vesting

A member of a pension plan who, upon ceasing to be employed by an employer, has attained age 45 and has either completed 10 years of continuous service with the employer or been a member of the plan for such period, whichever occurs first, is entitled to the pension benefits earned under the plan in respect of service since January 1, 1967. These pension benefits are payable only as a life annuity commencing at normal retirement age.

Neither the value of the life annuity nor any contributions the employee was required to pay towards the cost of this is available in cash. In addition, this entitlement cannot be assigned, surrendered, alienated, seized or attached.

By this means the true purpose of pension plans, which is to provide income for retirement years, is upheld.

2) Funding

Each year the employer is required to pay into the pension fund sufficient monies to cover the cost of the benefits earned in that year. In addition, where a liability exists because of (1) the grant of benefits for prior service, or (2) experience different from that assumed by the actuary, annual special payments designated to liquidate the liability within a specified number of years must be paid into the pension fund.

The maintenance of a fund ensures that pension monies are kept separate and distinct from assets of the employer.

3) Investment

Insurance companies are limited by federal legislation with respect to their investments. The securities in which pension funds may be invested are also, for the most part, subject to these limitations.

An additional restriction is that not more than 10 per cent of the book value of the fund may be invested in securities relative to any one corporation. Seven per cent of the fund may be invested in unqualified securities. These limitations are intended to reduce the risk of fund diminution through investment losses.

4) Explanation to Employees

The employer is required to provide each member of the pension plan with a written explanation of the terms and conditions of the plan and amendments thereto. This ensures that plan members are made aware of their rights and duties under the plan as well as the benefits they will become entitled to.